



Funding research in the UK sustainably

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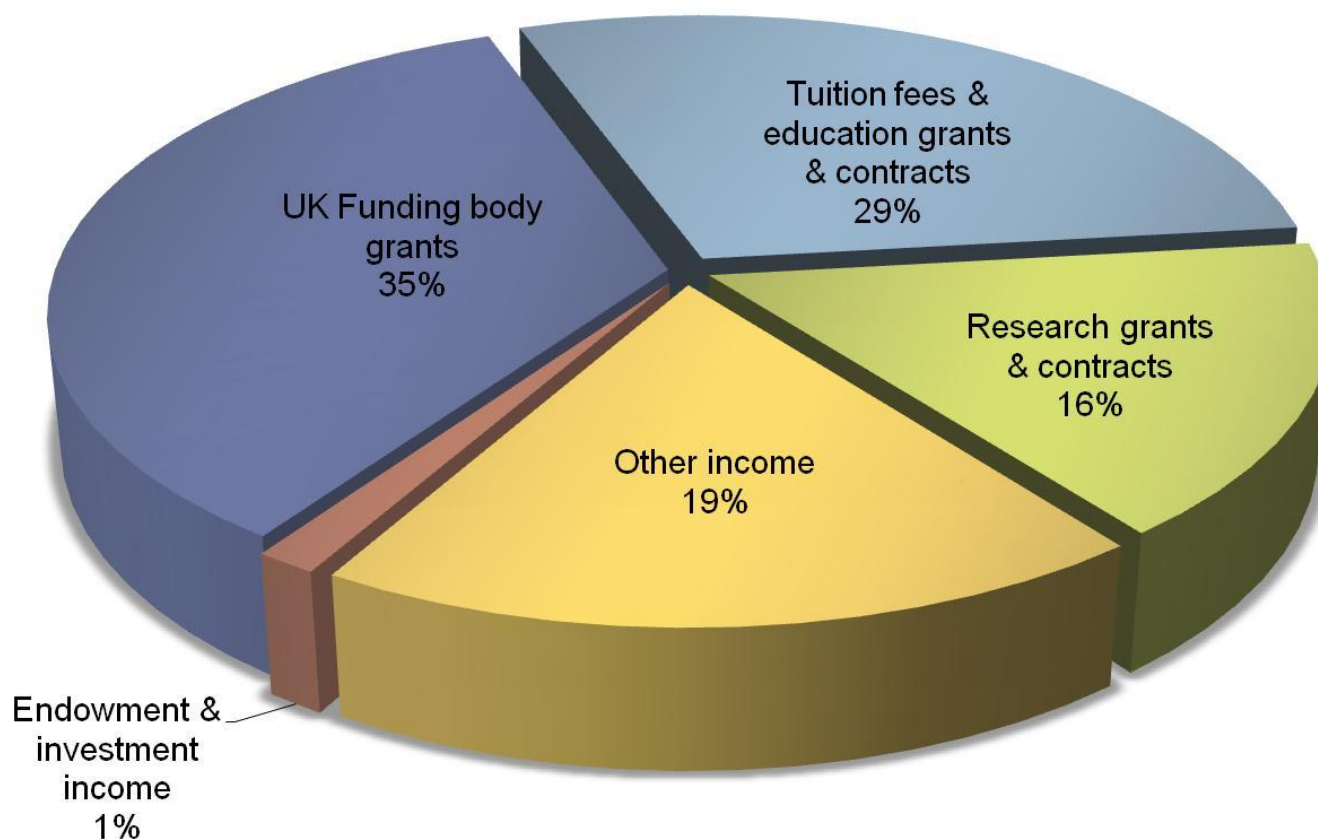
Funding research in the UK sustainably

Topics

- UK University finances
- Reform of dual support
- Efficient and effective use of full economic costs

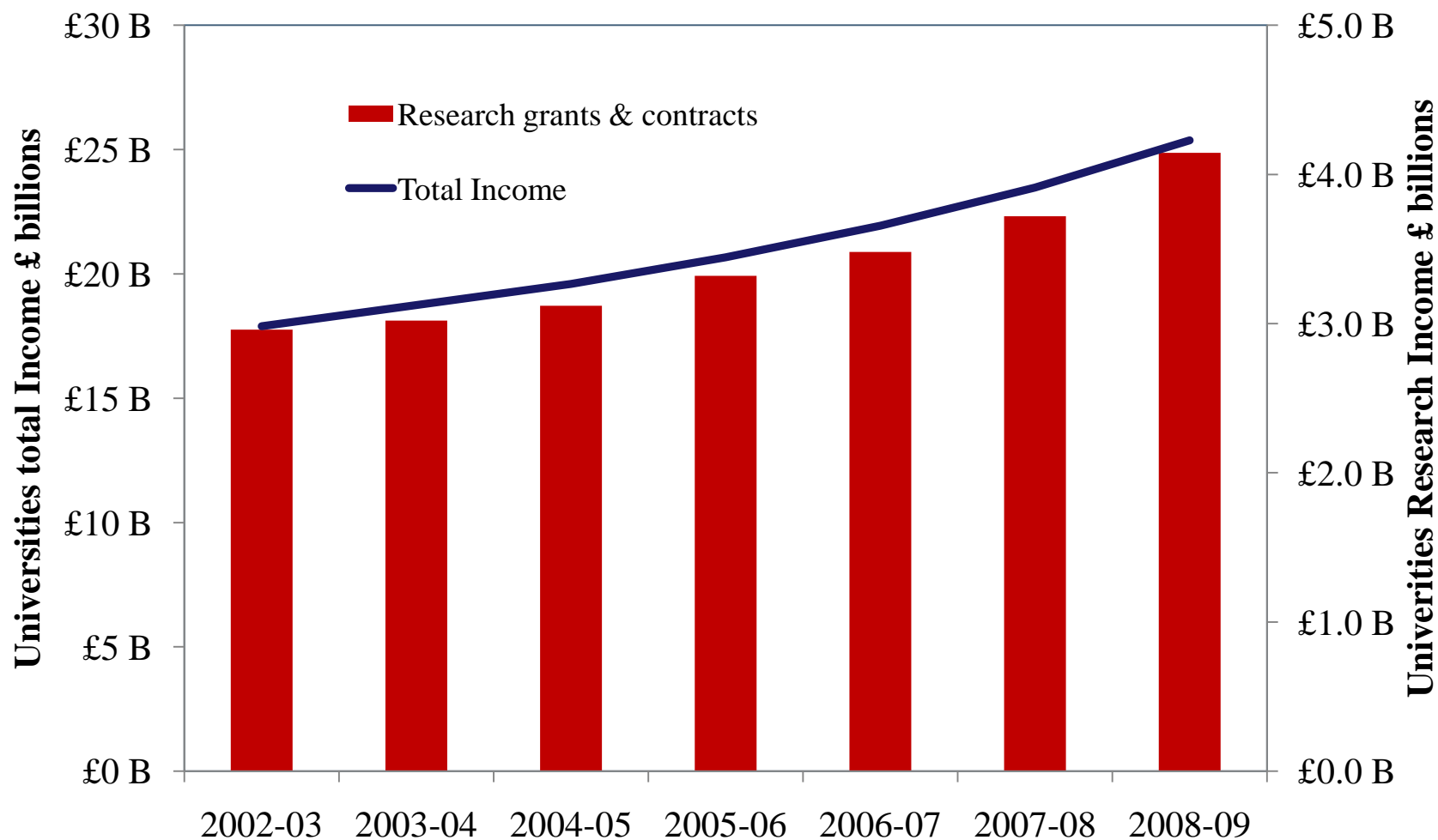


UK University Sector Income by source £25,000 million in 2008-09



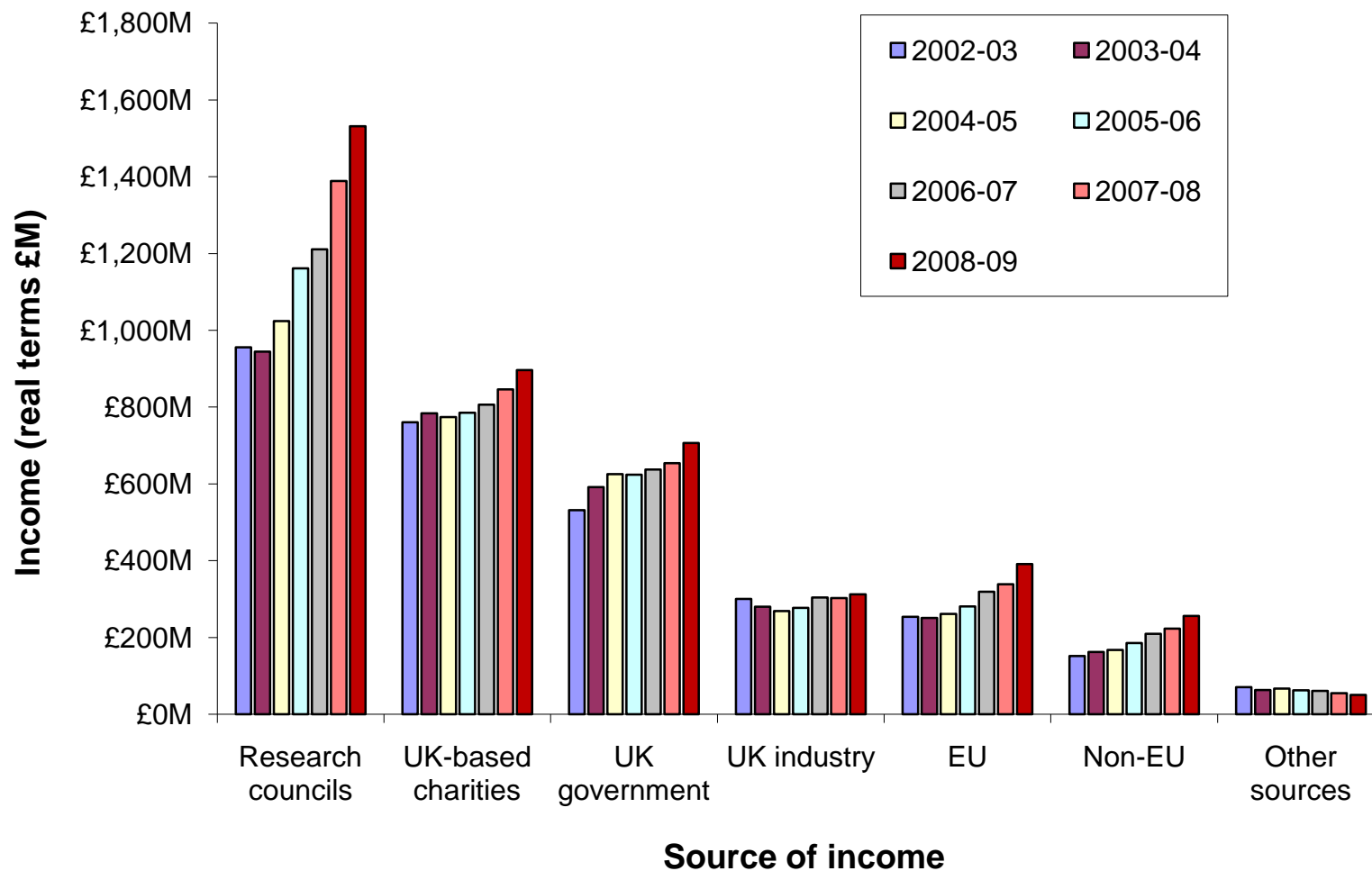


UK University Sector Income 2002-03 to 2008-09





Growth in research income



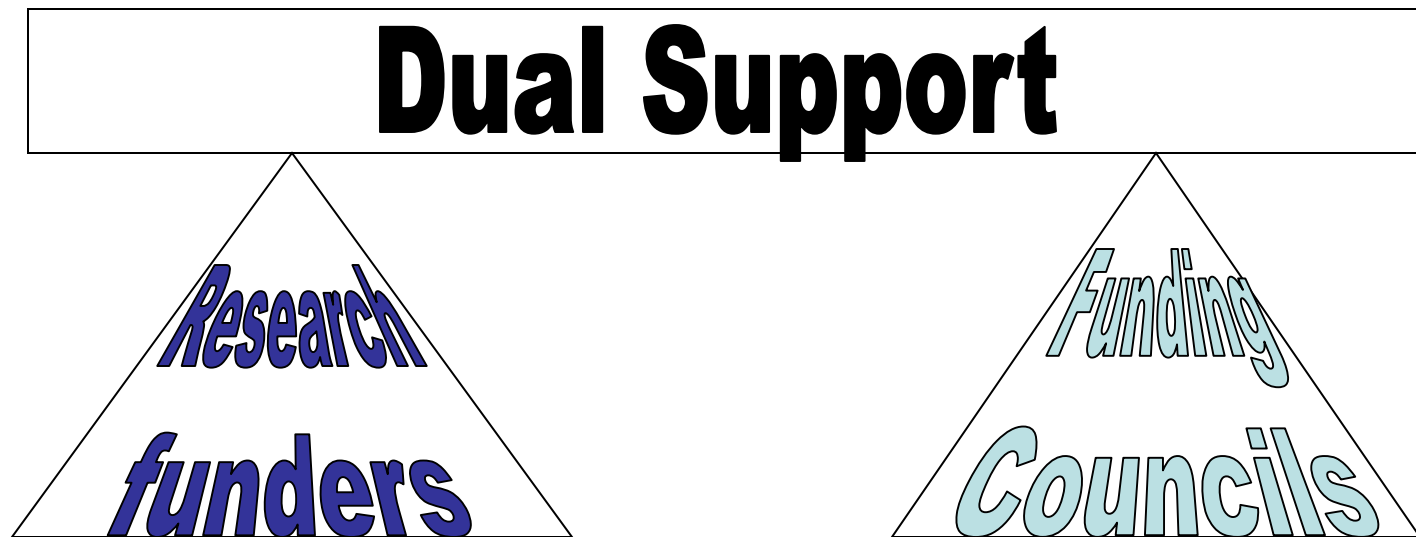


Diversity in Universities

| TRAC Group | Number of HEIs | Research income £M | Total income £M | Research/ Total income % | Average research income £M | Average Total income £M |
|----------------------------------|----------------|--------------------|-----------------|--------------------------|----------------------------|-------------------------|
| A | 24 | 4,927 | 10,786 | 46% | 205 | 449 |
| B | 26 | 1,363 | 4,169 | 33% | 52 | 160 |
| C | 20 | 388 | 2,423 | 16% | 19 | 121 |
| D | 22 | 220 | 3,928 | 6% | 10 | 179 |
| E | 22 | 67 | 2,259 | 3% | 3 | 103 |
| F | 7 | 11 | 371 | 3% | 2 | 53 |
| G | 7 | 29 | 375 | 8% | 4 | 54 |
| Dispensation institutions | 32 | 29 | 701 | 4% | 1 | 22 |
| UK total | 160 | 7,034 | 25,011 | 28% | 44 | 156 |



University Research in UK



- **Funding Councils:** Academic Staff, Buildings, Utilities, etc
- **Research Funders:** Project staff, Equipment, Consumables



Changes in dual support (April 2006)

- **Universities required to use TRAC to determine Full Economic Cost (fEC) of activities and projects in a robust way**
 - Universities should understand their costs and be managed on a sustainable basis
 - Price for sustainability
 - Adequate re-investment
- **Research Councils pay 80% of full economic costs of research projects**
- **The government has provided additional funding (approx £500 million per annum) to RCs to maintain the volume of research**
- **Government departments, industry and other funders should pay the full cost of projects that they commission**



Transparent Review of Academic Costs

- **TRAC was developed by universities to provide retrospective cost analysis at a high level for accountability and management purposes based on:**
 - Materiality
 - Cost are fair and reasonably stated
 - Flexibility and choice of methods
 - Consistency of costing treatment
 - Auditability (of methods, not data)
- **Identify as many costs as possible:**
 - Direct research staff costs
 - Academic staff time
 - Materials, equipment etc.
 - Indirect costs (central services, libraries etc)
 - Estates and facilities costs including support
- **Allocate indirect and estate costs on a consistent and robust basis**
- **Add in economic adjustments for maintenance and cost of capital**



RCUK Quality Assurance and Validation of TRAC

- **Assurance and Validation of TRAC as applied to fEC in HEIs**
- **Undertaken in partnership with Funding Councils**
- **Based on self-assessment by institutions. Lighter touch approach for less research intensive universities**
- **Acceptance from other public funding bodies inc. EU for Framework Programme 7**
- **Checks whether the institution meets the TRAC requirements for fEC and fEC rates for its recovery of costs**

OUTCOME

- **Limited assurance**



Review by RCUK of the efficient and effective use full economic costs


- **Is the deficit on research an artefact or a real concern?**
- **Can we simplify and improve TRAC?**
- **Is the volume of research increasing?**
- **Is the additional money for fEC being used sustainably?**
- **Where is the driver for efficiency in fEC?**
- **What steps can we take to constrain or reduce fEC rates?**



TRAC returns – research deficit

| £M | Institution- own funded | Post- graduate research | Research Councils | Gov't dep'ts | EU | UK Charities | Industry | Total Research |
|----------------------------------|--------------------------------|-------------------------------|----------------------|-----------------|-------------|-----------------|-------------|-------------------|
| Income | 2,031 | 639 | 1,592 | 755 | 339 | 949 | 729 | 7,034 |
| TRAC full economic costs | 1,860 | 1,161 | 2,139 | 1,004 | 559 | 1,534 | 964 | 9,221 |
| Surplus/(deficit) 2008-09 | 171 | -522 | -547 | -249 | -220 | -586 | -235 | -2,187 |
| Surplus/(deficit) 2007-08 | 174 | -378 | -583 | -229 | -203 | -571 | -226 | -2,015 |
| Surplus/(deficit) 2006-07 | 162 | -305 | -647 | -238 | -188 | -511 | -226 | -1,952 |
| Surplus/(deficit) 2005-06 | Detailed breakdown unavailable | | | | | | | -1,962 |

Overall deficit
£2 billion



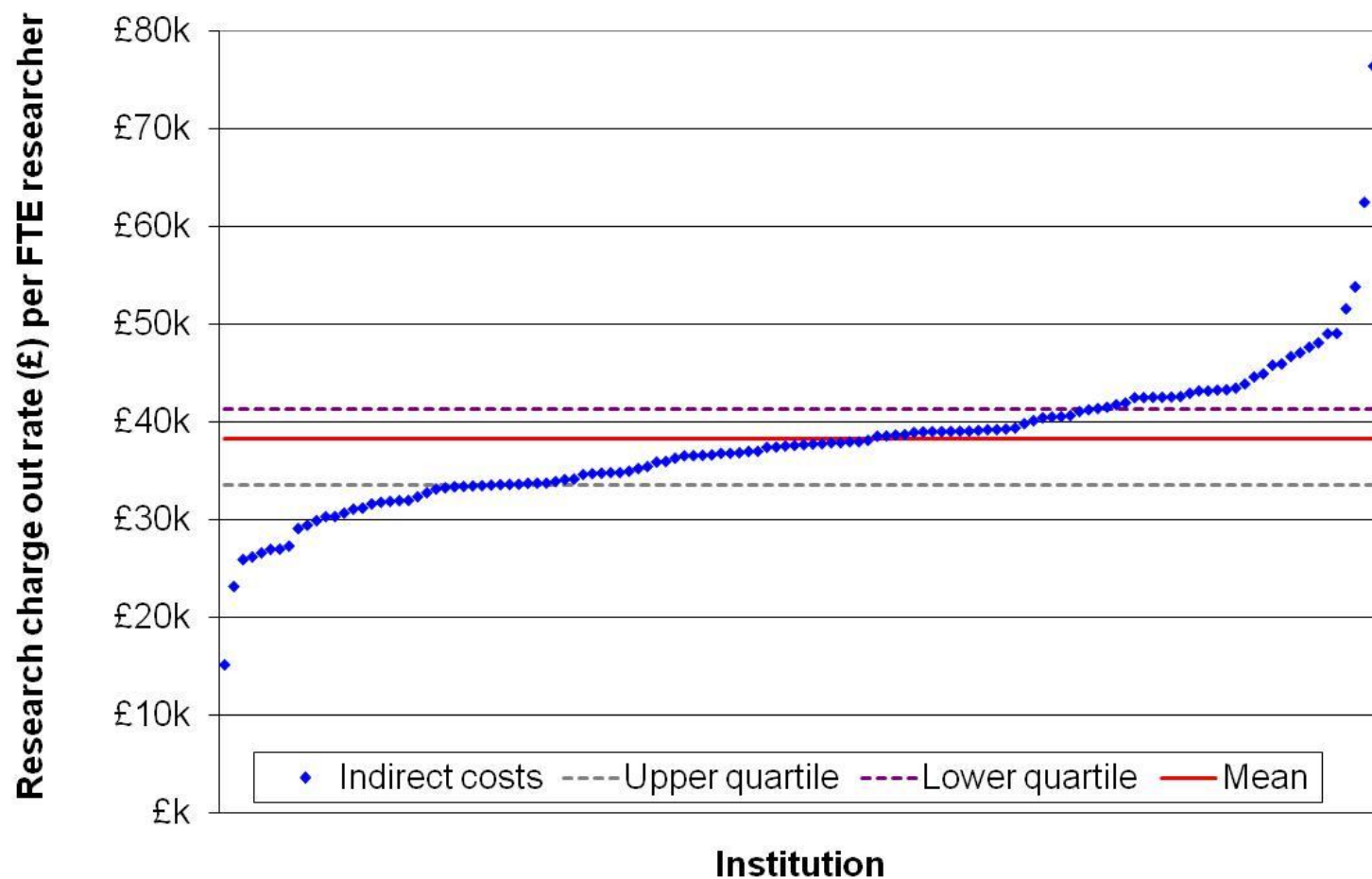


Research deficit by TRAC peer group

| TRAC peer group | Research deficit (£000s) | | | Research deficit as a % of costs | | |
|------------------------|--------------------------|----------------|----------------|----------------------------------|----------------|----------------|
| | Average | Lower quartile | Upper quartile | Average | Lower quartile | Upper quartile |
| A | -44,950 | -66,208 | -27,408 | -19 | -24 | -15 |
| B | -13,496 | -18,797 | -7,726 | -22 | -27 | -17 |
| C | -10,016 | -13,776 | -5,790 | -35 | -44 | -28 |
| D | -10,975 | -14,415 | -6,511 | -53 | -60 | -46 |
| E | -4,848 | -6,219 | -3,209 | -63 | -71 | -57 |
| F | -2,480 | -3,442 | -1,142 | -64 | -68 | -57 |
| G | -2,711 | -5,568 | -972 | -42 | -62 | -19 |
| All peer groups | -15,977 | -18,790 | -5,157 | -24 | -57 | -22 |

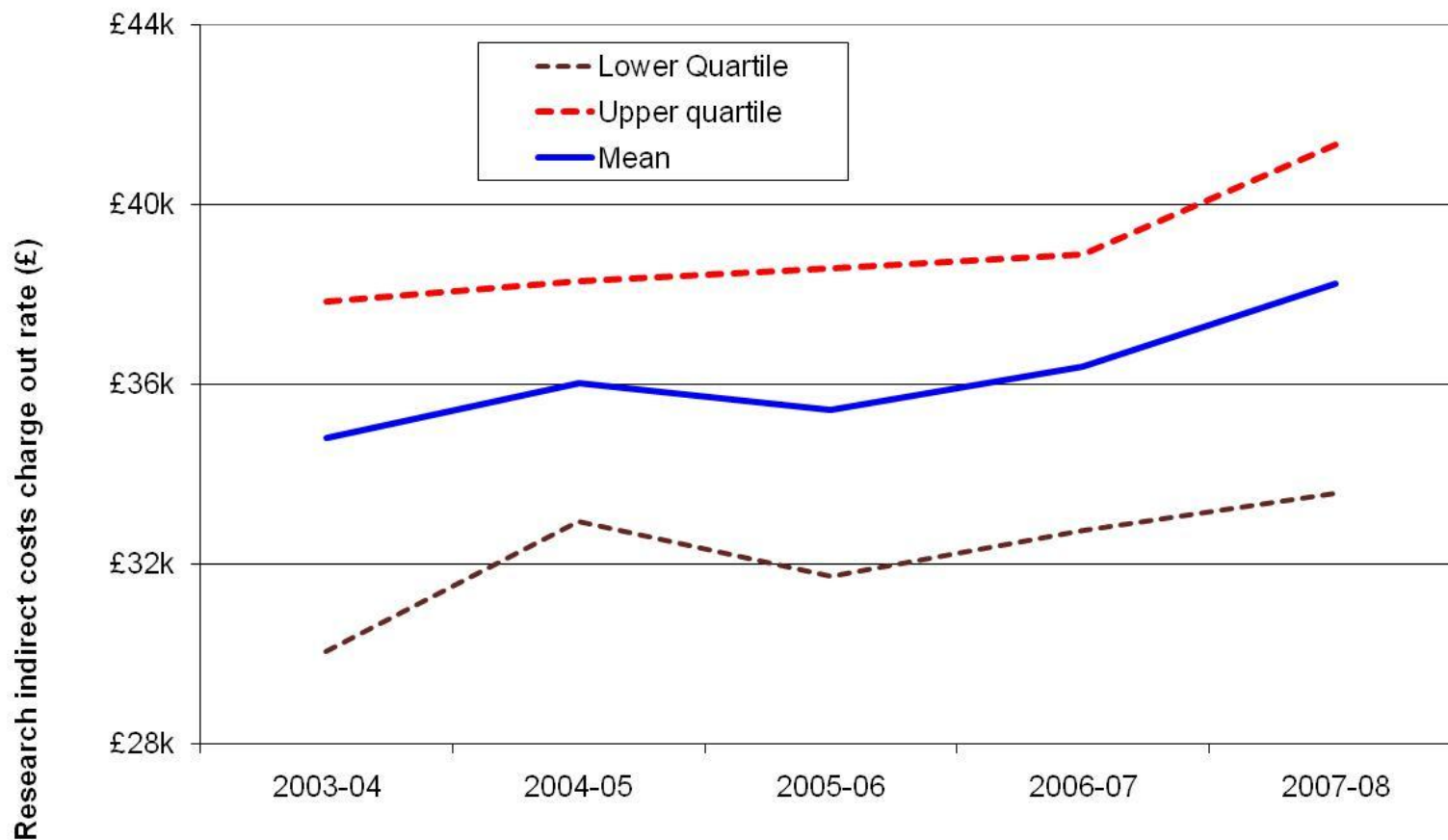


Distribution of university indirect cost 2009-10 charge-out rates per FTE



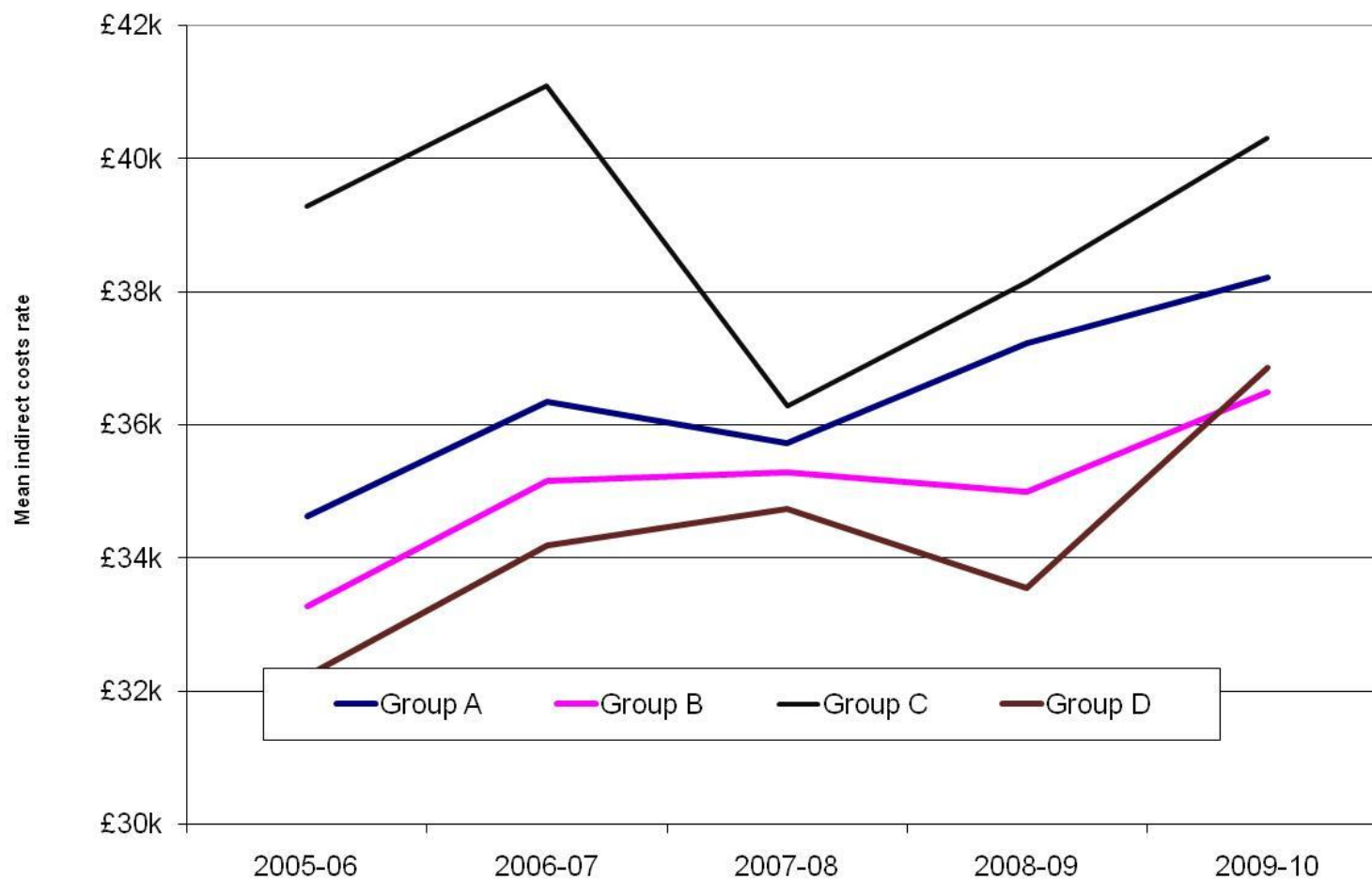


Change in indirect cost rates per FTE 2003-04 to 2007-8





Annual mean fEC rates per FTE for different peer groups





Principal findings

Is the deficit on research an artefact or a real concern?

- Deficit remains around £2B despite fEC money from RCs
- Some of it is probably due to recording of academic time and other factors
- Some institutions have very high deficits as a proportion of income
- Require governing bodies in institutions to have a policy for sustainability and to enforce it

Can we simplify and improve TRAC?

- Consensus that TRAC needs to be simplified
- Better accounting for academic staff time
- Require all institutions to calculate research surplus/deficits robustly
- Review the technical adjustments in the TRAC calculations to ensure that TRAC adjusted costs are not overstated



Principal findings

Is the volume of research increasing?

- No real increase can be seen
 - Research Assistant and postgraduate numbers increasing by ~2-3% pa, but academic FTEs reducing
 - Little change in the area devoted to research
 - Develop metrics and monitor
-
- Is the additional money for fEC being used sustainably?
 - Broadly , yes
 - Evidence of increasing investment in infrastructure and its maintenance
 - Too little attention by senior management and Governing Bodies to trends
 - Institutions should test and use their TRAC data for internal management purposes



Principal findings

Where is the driver for efficiency in fEC?

- Lack of evidence of process challenge in universities
- Variability in rates from one institution to another and from year to year
- Increases/decreases 2009/10 – 2010/11
 - indirect costs: maximum - +151%; minimum - 37%; average - 3.1%
 - estate (lab) costs: maximum - +109%; minimum - 42%; average - 2.8%
- Require year-on-year changes to be seen and approved by HEI Finance or appropriate body as part of TRAC compliance



Principal findings

What steps can we take to constrain or reduce fEC rates?

- In the current financial climate, funders are concerned that universities are not taking sufficient steps to improve their cost effectiveness
- Universities will be required to control indirect cost charge-out rates to inflation less a 5% efficiency factor (2.5% for those below the mean). Those above the upper quartile will need to agree faster reductions
- Apply similar constraints to non-universities
- Promote greater intensity of utilisation of assets by universities, particularly the sharing of research equipment and facilities. The Research Councils should encourage more intensive use of existing assets across the research base